

IDS Working Paper 229

Indonesia: the politics of inclusion

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July 2004

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Summary

Much commentary on Indonesian politics since the fall of President Suharto in May 1998 has suggested that Indonesia's political system has remained just as exclusionary as it was prior to his fall, despite the fact that it has become much more democratic and decentralised. In contrast to this view, we argue that Indonesia's political system has become more inclusive during this time, if only a little more so. The fall of Suharto and the subsequent process of democratisation has removed key obstacles to organisation by poor and disadvantaged groups and their NGO allies, making it easier for them to engage in collective action aimed at achieving pro-poor policy change. By making attainment of political office dependent on the support of the voting public, many of whom are poor and disadvantaged, these developments have also created an incentive for politicians to pursue policy changes that favour these groups or at least that appeal to them. At the same time, however, we argue that poor and disadvantaged groups have not become major players in the policy-making process. Despite the fall of Suharto and democratisation, these groups continue to lack the resources possessed by other participants in the policy-making process. While the politico-bureaucrats and well-connected business groups have been able to exercise influence over policy by buying support within representative bodies such as parliament and mobile capital controllers, the IFIs and Western governments have been able to exercise influence over policy by virtue of their structural power, poor and disadvantaged groups have had to rely on less potent ways of exercising influence such as holding demonstrations, engaging in lobbying activity, and participating in public debates. This in turn has constrained their ability to access and influence the policy-making process.

Acknowledgements

This paper was commissioned by the UK's Department for International Development (DFID) as part of a broader research project on 'pro-poor political change' in Asia. We wish to thank DFID for its permission to publish the paper. Needless to say, the content of the paper is the authors' entire responsibility and the views and opinions it contains are not necessarily those of DFID. We also wish to thank Anton Lucas, John McCarthy, and Diane Mulligan for providing us with advice in relation to the field research for the paper and Vedi Hadiz, Leonard Simanjuntak, and Richard Robison for providing feedback on earlier drafts of the paper. Again, any errors or omissions are the responsibility of the authors.

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1 Introduction

Much commentary on Indonesian politics since the fall of President Suharto in May 1998 has suggested that Indonesia's political system has remained just as exclusionary as it was prior to his fall, despite the fact that it has become much more democratic and decentralised. Vedi Hadiz and Richard Robison, for instance, have argued that power relations in Indonesia have simply been reorganised since Suharto's fall rather than transformed (Robison and Hadiz 2004; Hadiz and Robison 2003; Hadiz 2003a; Hadiz 2003b). Suharto's 'New Order', they say, was dominated by the politico-bureaucrats who occupy the state apparatus and business and criminal figures who had close connections to these individuals. Rather than disappear since Suharto's departure, they suggest that these elements 'have been able to reinvent themselves through new alliances and vehicles, much like they have, for example, in parts of post-Communist Eastern Europe/Central Asia' (Hadiz 2003b: 593). At the same time, they argue that elements that were marginalised under Suharto such as the poor and disadvantaged and their middle class allies in non-governmental organisations (NGOs) have remained excluded from the policy-making process. Suharto's rule, they say, left a powerful legacy as far as the organisational capacity of the lower and middle classes is concerned. Its systematic pursuit of a policy of disorganising civil society and its willingness to repress any form of political activity on the part of opposition groups has 'effectively paraly[sed] most independent capacity for self-organisation among groups like the urban middle class and the working class' (Hadiz and Robison 2003: 10).

Similarly, Olle Törnquist *et al.* (2004) have argued that, notwithstanding the fact that the "popular-oriented" democracy movement played a key role in the overthrow of Suharto, Indonesian politics since the fall of Suharto has remained dominated by the elite. The democracy movement, they say, 'remains fragmented, poorly organised and rather isolated from ordinary people' and has consequently failed 'to become politically significant' (2004: 2). Other scholars have suggested that one particular section of the elite – the military leadership – has retained much of its influence in Indonesian politics despite democratisation and decentralisation, thereby further reinforcing the idea that not much has changed since fall of Suharto in terms of the range of actors who participate in and influence the policy-making process (Sukma 2003; Lee 2000).

In contrast to these views, we argue in this paper that Indonesia's political system *has* become more inclusive since the fall of Suharto, if only a little more so. The fall of Suharto and the subsequent process of democratisation, we argue, have removed key obstacles to organisation by poor and disadvantaged groups and their NGO allies, making it easier for them to engage in collective action aimed at achieving pro-poor policy change. By making attainment of political office dependent on the support of the voting public, many of whom are poor and disadvantaged, these developments have also created an incentive for politicians to pursue policy changes that favour these groups or at least that appeal to them. The result, we suggest, has been that poor and disadvantaged groups and their NGO allies have been able to participate more in and exercise greater influence over policy-making than they were able to under the New Order.

At the same time, however, we are not suggesting that these groups have become major players in the policy-making process. Despite the fall of Suharto and democratisation, these groups continue to lack the resources possessed by other participants in the policy-making process – specifically, the politico-bureaucrats, the major domestic conglomerates, the major international financial institutions (IFIs), Western governments, and controllers of mobile capital. Whereas the politico-bureaucrats and well-connected business groups have been able to exercise influence over policy by buying support within representative bodies such as parliament and mobile capital controllers, the IFIs and Western governments have been able to exercise influence over policy by virtue of their structural power – that is, their ability to withdraw or withhold much-needed investment resources and aid from the country – poor and disadvantaged groups have had to rely on less potent ways of exercising influence such as holding demonstrations, engaging in lobbying activity, and participating in public debates. So, whilst we take issue with the idea that the poor and disadvantaged remain just as excluded from the policy-making process as they were under the New Order, we accept the general thrust of Robison, Hadiz and Törnquist’s respective arguments that elements nurtured under the New Order exercise dominant influence over the policy-making process in post-Suharto Indonesia.

To provide support for this argument, we examine three cases in which the interests of particular poor and disadvantaged groups have been at stake – land reform, mining in protected forests, and the role and activities of the women’s organisation, Family Welfare Guidance (PKK). In all cases, we argue that poor and disadvantaged groups and their NGO allies have been able to exercise greater influence over the policy-making process since the fall of Suharto than they were able to before his fall. At the same time, however, we argue that these groups have only had a modest influence on policy in all cases. In the land reform and PKK cases, collective action on the part of poor and disadvantaged groups and their NGO allies has led to minor policy victories in the form of a new MPR decree on agrarian reform and natural resources management and changes in the organisational structure and operation of the PKK respectively. In the mining in protected forests case, poor and disadvantaged groups have achieved a more substantial victory but only because powerful politico-bureaucratic elements within the Ministry of Forestry have had their own reasons for desiring the same policy change. The interests and actions of poor and disadvantaged groups and their NGO allies have been important to policy outcomes in both cases but the extent of pro-poor policy change has hinged on the extent to which their interests have coincided with those of more powerful elements such as politico-bureaucrats in key ministries.

Before moving on with this analysis, we should point out that our analysis focuses on the national rather than the local level. Hans Antlov (2003: 77) has argued that ‘many exciting developments’ are taking place at the local level in Indonesia that are ‘providing a voice for the poor and disadvantaged’ and, in doing so, ‘challenging the legacy of the New Order’. Whilst agreeing with Hadiz (2003a) that democratisation and decentralisation have, to a large extent, been captured by anti-democratic elements with strong links to Suharto’s New Order, Antlov argues that democratisation and decentralisation have nevertheless opened up opportunities for poor and disadvantaged groups to play a greater role in the policy-making process at the local level through organisations such as citizens’ forums (*forum warga*), village

councils, networks of village governments and councils, new mass organisations and social movements. This paper complements Antlov's analysis by suggesting that the post-Suharto era has opened up limited opportunities for poor and disadvantaged groups to participate more in and exert greater influence over the policy-making process at the national level as well.

The paper is organised as follows. Sections II and III examine the politics of policy-making in Indonesia during the Suharto and post-Suharto eras respectively and contain the analysis of the land reform, PKK and mining in protected forests cases. Section IV concludes the paper by examining the prospects for inclusive policy-making in Indonesia in the future.

2 The politics of policy-making in Indonesia under Suharto

Under Suharto, the policy-making process in Indonesia was dominated by five main sets of actors: the "politico-bureaucrats", the major domestic conglomerates, controllers of mobile capital, major international financial institutions (IFIs) such as the World Bank and the International Monetary Fund (IMF), and major Western governments.

- *The politico-bureaucrats*: As Robison has pointed out, New Order officials were not mere bureaucratic functionaries but "politico-bureaucrats" in the sense that they exercised both political and bureaucratic authority (Robison 1986: 107). After taking power, the New Order reduced the national parliament to a rubber stamp, ensuring that real political authority remained with the bureaucracy and the executive. At the same time, the New Order exercised strict control over the judiciary, enormously limiting its independence. Unconstrained by either parliament or the rule of law, the politico-bureaucrats were able to sell access to state facilities, licenses, and concessions and in doing so accumulate resources to enrich themselves and their families, reward political supporters, and co-opt opponents. Current and former military officials were among the most powerful politico-bureaucrats. From the beginning of the New Order period, military officials were integrated into senior positions in the bureaucracy, cabinet and parliament, a process legitimised by the military's dual function doctrine. Many officers used these positions to accumulate enormous personal wealth. At the same time, the military was able to use its effective control over various state-owned enterprises, such as Pertamina (the state oil company) and Bulog (the national logistics agency), to raise extra-budgetary revenue for military activities and establish its own private business empire (Crouch 1988: 273–303). The politico-bureaucrats argued that state intervention in the economy was necessary to promote national economic development, overcome foreign economic domination, and promote the development of indigenous business enterprise (Soehoed 1977; Hoemardani 1977; Chalmers and Hadiz 1997: 71–90). Despite this, however, their main concern was to maintain state control over the economy and the rent-seeking opportunities that went with this control rather than pursue social justice through the redistribution of economic resources.

- *The major domestic conglomerates:* Under the New Order, Indonesia's business sector was dominated by 200 or so large conglomerates, most of which were owned by ethnic Chinese or indigenous entrepreneurs who had strong connections to senior politico-bureaucrats. The best known of these were the business groups owned by the friends and relatives of President Suharto. The connections of these groups gave them considerable influence over policy, especially in the industries in which they had substantial interests at stake. Many were able to secure state protection for their investment projects in the form of tariff and non-tariff barriers to trade and restrictions on foreign investment as well as privileged access to state facilities such as state bank credit, forestry concessions, and government supply and construction contracts. Like the politico-bureaucrats, they argued that state intervention in the economy was necessary to promote national economic development, overcome foreign economic domination, and promote the development of indigenous business enterprise. Also like the politico-bureaucrats, they defended the role of the state in the economy because they were interested in preserving rent-seeking opportunities for themselves rather than enabling redistribution of economic resources to poor and disadvantaged groups within society.
- *Controllers of mobile capital:* The other set of business interests that exerted significant influence over policy under the New Order were controllers of mobile capital such as portfolio investors, international banks, and footloose manufacturing investors. In contrast to the conglomerates, the influence of these actors stemmed from their structural power – that is, their ability to relocate the capital under their control to alternative jurisdictions if they so desired. The mobility of their capital meant that they could effectively threaten the Indonesian state with investment strikes unless it adopted policies that they desired. In essence, this meant that there was strong pressure on the state to adopt conservative macroeconomic and fiscal policies, liberalise the trade and investment sectors, deregulate the financial sector, and privatise state enterprises. In turn, this meant that if the government had pursued a pro-poor redistributive policy agenda, it would have risked the prospect of capital flight. Within the Indonesian government, the technocrats based in the Ministry of Finance, the central bank, and the Coordinating Ministry for Economics and Finance have been in effect the chief advocates for mobile capital controllers given the close correspondence between their policy prescriptions and the policies that mobile capital controllers have seen as key to serving their interests.
- *The IFIs and Western governments:* The rise of the New Order in the mid-1960s was greeted warmly in the US and Western Europe in large part because of its strong anti-communism. With the Cold War still raging and widespread fear in the West that the Soviet Union and China would extend their influence throughout Southeast Asia, Western governments were keen to support Southeast Asian governments that were clearly on their side (Anderson 1998). In the Indonesian case, they did this by providing generous amounts of aid through the Inter-governmental Group on Indonesia (IGGI), a consortium of foreign donors that was formed in 1966, and supporting the efforts of the IMF and

other IFIs to reconstruct the country's economy. These governments and the IFIs continued to provide aid to Indonesia throughout the 1970s, 1980s and 1990s to support the New Order's development programmes. In return, they demanded that the Indonesian government liberalise its economy, reflecting in the case of Western governments the interests of their own capitalist classes and, in the case of the IFIs, the influence of the US Treasury over these institutions.¹ Of course, these demands were tempered during the Cold War era by a concern not to destabilise the New Order and thereby risk its overthrow. Nevertheless, they placed further significant constraints on the Indonesian government's ability to pursue a pro-poor redistributive policy agenda.

In contrast to these elements, poor and disadvantaged groups such as labour, peasants, indigenous groups and women and their NGO allies exercised very little influence over policy under the New Order. Indeed, the New Order actively sought to prevent these groups and their NGO allies from participating in policy-making by imposing a range of restrictions on political and social activity. The most significant of these restrictions was the emasculation of the political parties in the 1970s. In 1973, all existing political parties were forced to submit to a dramatic simplification of the party system, with separate and mutually antagonistic parties being fused into new coalitions. The government also intervened extensively in these parties' affairs, on many occasions engineering the appointment of compliant individuals to party leadership posts (Liddle 1996). At the same time, the New Order established a series of tightly controlled corporatist organisations with monopolies over the representation of social groups such as labour, peasants, and women. Although these organisations were intended ostensibly to represent the interests of these social groups, they served in practice to control them and limit their impact on policy (MacIntyre 1990: 23–31). The New Order also imposed a range of restrictions on freedom of expression, including restrictions on press freedom (Lubis 1993; Hill 1994). Finally, it sought to ensure ideological uniformity, forcing all social organisations in the mid-1980s to adopt the state ideology, Pancasila, as their sole basis (or *azas tunggal*) (Adnan 1990). All these factors effectively made it impossible for well-organised, well-funded and politically independent organisations representing poor and disadvantaged groups to emerge under the New Order. Although a flourishing NGO movement emerged during the 1980s and 1990s, only a few NGOs were able to establish broad organisational structures and all were constrained by the New Order's political controls.

Within this context, as we will see below, policy outcomes generally reflected the interests of the politico-bureaucrats, the conglomerates, controllers of mobile capital, the IFIs and Western governments rather than those of poor and disadvantaged groups.

¹ On the influence of the US Treasury on the IFIs, see Wade (2001) and Bhagwati (1998).

2.1 Case I: land reform

During the first two decades following the declaration of Indonesia's independence in 1945, Indonesia's land policies became increasingly radical. Following the Dutch withdrawal, the Indonesian government moved to reclaim land controlled by Dutch and other foreign firms and redistribute some of it to farmers (Lucas 1992: 80–81). In 1960, it enacted a new Basic Agrarian Law which, reflecting the populist sentiment of the time, prohibited the ownership and control of land beyond certain (unspecified) limits and recognised *adat* (customary law) as the foundation of the country's agrarian laws (Article 7). Along with two land-related other laws passed in 1960, this Law effectively laid the legal foundations for a land reform programme (Suhendar and Kassim 1996: 22). Following the introduction of these laws, the Indonesian Peasants' Front (BTT), an organisation aligned with the Indonesian Communist Party (PKI), began efforts aimed at implementing the laws, including encouraging peasants to unilaterally seize and redistribute land.

When the New Order seized power in 1965, it rapidly reversed this radical shift in land policy. The New Order's rise to power was facilitated by foreign and domestic propertied classes, Western governments and the IFIs, giving it, as Robison (1981: 23) has pointed out, a counter-revolutionary orientation *vis-à-vis* radical agendas such as land reform. At the same time, with the economy in crisis, the New Order was under significant structural pressure to adopt policies that were favourable to mobile capital controllers and supported by foreign aid donors. As part of attempts to attract mobile capital back into the country by creating better conditions for investment, the New Order introduced several changes to land policy including downgrading the Ministry of Agrarian Affairs to a directorate-general in the Home Affairs Ministry in 1967, introducing a new law that abolished land reform courts in 1970, and discontinuing the annual budget allocation for the land reform programme in 1971. In addition, although it left the Basic Agrarian Law on the statute books, it refused to pass the regulations required to implement many of its provisions. Combined, these measures effectively brought the land reform programme to an end (Suhendar and Kassim 1996: 65–7; Lucas 1992: 83).

During the 1970s and 1980s, the New Order made additional changes to the country's land policies in an attempt to further improve the climate for capital investment. From the 1970s onwards, there was a dramatic increase in the demand for land as mobile capital controllers, domestic conglomerates, and state-owned enterprises sought land for new investment projects in mining, forestry, agriculture, tourism, textiles, clothing, footwear, property and other industries (Lucas 1992: 84–5). To make it easier for these groups to gain control of land, the New Order introduced so-called 'release of title' procedures. Under the Basic Agrarian Law, enterprises are prohibited from owning land. The 'release of title' procedures created a mechanism by which enterprises could acquire titles to land without breaching this Law. Upon release of the title, the land would become state land, allowing the state to award rights of use, building, or exploitation over it to enterprises or other parties depending on the type of investment project. Enterprises that were granted these rights would then have them for a defined period of time and the

security of state backing for their acquisitions. Their only obligation in acquiring land was to provide compensation to the former landowners, the amount of which was to be determined by a committee that consisted entirely of government officials (Lubis 1992: 9, 17).

After the collapse of oil prices in the mid-1980s – when the government again desperately needed to attract mobile capital into the country to overcome fiscal, trade, and growth problems – it introduced further land policy changes favourable to capital investment. These included transforming the Directorate for Agrarian Affairs into a national agency (BPN) that reported directly to the President and introducing the Land Administration Project (LAP), a land registration programme sponsored by the World Bank. Whilst ostensibly aimed at helping the poor, this programme was widely criticised for entrenching existing land ownership patterns rather than ensuring a more equitable distribution of land in accordance with the Basic Agrarian Law. At the same time, it was also criticised for advancing the “commodification” of land and, in turn, making it easier for those with money to secure control over land (Haverfield 1999: 57). Ultimately, then, this attempt to speed and extend the process of land registration appears to have served primarily the interests of private foreign and domestic investors, state-owned enterprises and others with the capital to invest in land ownership.

The acquisition of land during the New Order period by these elements was in many cases resisted by the peasant and indigenous communities who stood to lose control over their land, generating a large number of land disputes. Generally these disputes centred on two issues: who owned or controlled the land and the level of compensation (Lucas 1992: 84). Because few peasants, indigenous groups, or *kampung*² dwellers had registered titles to their land, they were unable to demonstrate unambiguously that they owned it when it was earmarked for an investment project. In many cases, this was despite the fact that they and their families had farmed or otherwise used the land for several generations. This made it possible for the state to claim that the land was state land, that the people using it were illegal occupants, and that the state was therefore entitled to evict them. The level of compensation was an issue in many land disputes because it was often set well below the current market value of the land being acquired. If the peasants, indigenous communities, or *kampung* dwellers refused to accept the compensation on offer and surrender control over their land, they were often subject to intimidation or forced removal by the security forces or gangs of privately hired thugs (Lucas 1997: 234; Lubis 1992; Fauzi 1999: 202).

In defending their interests, peasant and indigenous communities involved in land disputes often received assistance from NGOs working on agrarian issues. In particular, these NGOs helped peasant and indigenous communities to organise protests, attract media attention, and take legal action against the government and developers. Generally, however, these alliances proved ineffective in preventing land acquisitions and securing better deals for these communities. Indeed, it was largely in recognition of the ineffectiveness of this strategy of focusing on local disputes and helping the communities involved in them that NGOs working on agrarian issues decided to form the Agrarian Reform Consortium (KPA) in 1995. In addition to acting as an umbrella organisation for these NGOs, the KPA became a vehicle

² *Kampung* is the Indonesian term for a lower class urban neighbourhood.

through which these NGOs could try to promote change in agrarian law. The formation of the KPA thus marked an important change in strategy for these NGOs.³ However, it was not until the fall of Suharto in 1998 that this change in strategy was to produce noticeable benefits – while KPA activists sought to stimulate public debate about agrarian issues by holding workshops and conferences and producing publications (see, for instance, Ruwiatuti *et al* 1997), the organisation appears to have had little impact on government policy during the last years of Suharto's rule.

By the eve of Suharto's downfall then, land policy in Indonesia largely embodied the interests of foreign investors, domestic business conglomerates, and the politico-bureaucrats who ran state-owned enterprises, reflecting their political and social dominance during this time. Not only had land reform been taken off the political agenda but the government was actively assisting private and state enterprises in acquiring land, even where there was resistance to this from local peasants, indigenous groups, *kampung* dwellers, or NGOs aligned with them. Lacking the resources of their opponents and constrained by the New Order's political controls, these elements were unable to exercise much influence over either land policy or these specific disputes.

2.2 Case II: Family Welfare Guidance

Family Welfare Guidance (PKK) was one of two corporatist bodies sponsored by the New Order to represent women, the other being Dharma Wanita, an organisation of civil servants' wives. Officially an NGO, the PKK was under the control of the Home Affairs Ministry and was headed at each level of its organisation by the wife of the local head of government, except at the national level where it was headed by the wife of the Home Affairs Minister. While the PKK ran a range of social and welfare programmes under the New Order, its' most widely known activity was the management and operation of local integrated health clinics (*posyandu*). The origins of these institutions 'date back to the 1970s when informal monthly meetings were held in rural villages so that experienced mothers could share local wisdom about caring for young children with new mothers' (UNICEF nd: 2). But they were officially established in the mid-1980s when the Department of Health and the National Family Planning Coordinating Board (BKKBN) signed an agreement to develop a network of such clinics at the village level (Healthy Mothers, Healthy Babies Child Survival Project 2000: 14–15). Organised by volunteers (*kader*), they have involved staff from the local health centre (*puskesmas*) and the village midwife (*bidan di desa*) in the delivery of a range of basic health services. By the mid-1990s, there were around 250,000 integrated health clinics in operation in Indonesia. As Rachmi Untoro (2002: 3), a senior Ministry of Health official, has noted, this dramatic growth put the primary health care services provided by integrated health clinics within reach of almost 90 per cent of Indonesian families.

Besides its role in providing basic health services, the PKK also served a political function for the New Order, acting as an instrument of control over women. As various commentators have pointed out, the PKK helped the New Order exercise control over women in two main ways. First, it promoted an

³ Interview with Dianto Bachriadi, a leading figure in the KPA, Jakarta, April 2003.

ideology and programmes that, as one commentator has put it, ‘located women’s position firmly in household under male leadership’ (Wieringa 1993: 18). Although women ran the PKK and its cadre of volunteers (who ran the integrated health clinics) consisted entirely of women, the theorists behind the design of its programmes were predominantly men (Wieringa 1993: 25). This reflected the fact that at the national level it was located under the Ministry of Home Affairs and at the village level, the Village Community Resilience Body, both of which were dominated by men (Sudaryanto 1996: 411). As Norma Sullivan (1990: 83) has argued, although it was meant to be a women’s movement, the PKK promoted a set of ideas that suggested that ‘man’s responsibility is to dominate the workplace while woman’s place is in the home – as man’s loyal backstop’. The core of these ideas was the *Panca Dharma* which specified five basic duties for women, namely: to be loyal companions of their husbands, procreate for the nation, educate and guide their children, regulate their households, and be useful members of society. The fact that so many PKK members were married to government officials and that their husbands’ careers would suffer if they were not seen to participate in and support PKK programmes meant that few PKK members were willing to openly complain about or challenge the PKK’s ideas and programmes. In any case, the hierarchical and authoritarian structure of the PKK meant that there was little scope for complaints or criticisms from lower levels of the organisation to be channelled upwards (Wieringa 1993: 26–9).

Second, as the only social organisation officially permitted to operate at the village level, and given that it had an extensive network of volunteers, the PKK was well placed to mobilise support for the New Order government at election time. The PKK claimed to be non-political but, as Sullivan (1990: 64) has noted, it was effectively part of the state. At election time, it is widely believed that leaders of the PKK ‘tried to influence participants in PKK programmes (that is, nearly every family with children in the whole of Indonesia) to vote for the government party, Golkar’ (Marcoes 2002: 189). In essence, then, under the New Order, the activities and operation of the PKK primarily reflected the interests of the politico-bureaucrats that occupied the state apparatus rather than the community the organisation was meant to represent, i.e. Indonesian women.

2.3 Case III: mining in protected forests

Indonesia is rich in mineral resources. It has deposits of a wide variety of minerals including bauxite, coal, cobalt, copper, diamonds, gold, kaolin, manganese, mica, mineral sands, nickel, tin, and uranium (Marr 1993: 9–10). Many of these deposits are found in so-called “protected forests” – that is, ‘forest areas that serve to regulate water flows, prevent floods, control erosion, prevent sea water intrusion, maintain soil fertility and thereby protect the life support system’.⁴ Under the New Order, open mining was permitted

⁴ Art. 1, Para. 8, 1999 Forestry Law. The Law distinguishes “protected forests” from “production forests” and “conservation forests”. Production forests are defined as ‘forest areas that have as their main function producing forest products’ and conservation forests are defined as ‘forest areas with a certain special quality, that have as their main function the preservation of plant and animal diversity as well as their ecosystems’. Importantly, for the purposes of this paper, the Law prohibits mining in protected and conservation forests but permits it in production forests.

in these forests despite the damage that it can cause to the forest cover above mineral deposits and the livelihoods of those who live within or near these forests. A 1990 presidential decree on the management of protected areas provided the legal basis for open mining in these areas, stipulating that: 'If there are indications that there are mineral deposits or ground water or other natural wealth which can be exploited and are considered valuable to the state, then activities can be licensed in accordance with valid regulations and laws' (Marr 1993: 23). Subsequent paragraphs of this decree required mining firms 'to make efforts to protect the environment and carry out rehabilitation of the former mine, so that the protected area can function again' (Marr 1993: 23). As the activist Carolyn Marr (1993: 23) has noted, this offered protection to Indonesia's forests through "cure" but not "prevention".

The New Order's policies in relation to open mining in protected forests were widely criticised by peasant and indigenous groups and NGO activists from inside and outside Indonesia. These groups argued that mining and, in particular, open mining, caused massive environmental and social problems including pollution of rivers, air pollution, destruction of native forests and wildlife, the eviction of indigenous people from their land (often without adequate compensation), the destruction of poor peoples' livelihoods, and the despoilment of cultural sites. At a workshop organised by the prominent Indonesian environmental NGO, WALHI, and held in Banjarmasin, Kalimantan, in December 1995, representatives of various Indonesian indigenous communities reportedly told a 'common story . . . of rivers polluted by mine wastes, run-off and chemicals, of fish, crabs and aquatic life dying, domestic animals and people becoming sick, land being taken for mining without proper compensation, and of traditional mining (panning) being made impossible by silt in the rivers and streams' (Atkinson 1996: 28).⁵ Concerned about such consequences of mining projects, the participants at the Banjarmasin workshop decided to form an NGO Mining Advocacy Network (JATAM) to help peasant and indigenous communities in preventing or minimising the negative social and environmental effects of these projects.⁶

However, the protestations of such groups fell on deaf ears during the New Order period, reflecting their relative lack of influence in the policy-making process at this time compared to controllers of mobile capital and, in particular, the managers of foreign mining firms.⁷ As we have seen, peasants and indigenous communities were marginalised under the New Order, as a result of its pursuit of a policy of disorganising civil society and its willingness to repress political activity on the part of opposition groups (Hadiz and Robison 2003: 10). Foreign mining firms, by contrast, constituted a crucial element in the coalition of interests that underpinned the New Order. Deals made with mining firms such as Freeport (to mine copper in Irian Jaya) and Inco (to mine nickel in Sulawesi) in the early New Order period signalled Indonesia's re-integration into the international economic system and served to legitimise the new government in the eyes of both foreign governments (which, driven by the Cold War logic of the time,

⁵ See also Marr (1993) for similar criticism of the New Order's mining policies.

⁶ Personal communication with Susan Howett from JATAM, 5 June 2003; see also Atkinson (1996: 28).

⁷ Mining capital is generally regarded as relatively immobile given that mining firms can only mine where deposits are located. However, as the post-Suharto era has made clear, mining firms are quite capable of re-locating capital overseas if they no longer feel that they are able to operate within a particular jurisdiction.

were concerned to bring Indonesia into the Western alliance against the Soviet Union) and many Indonesians (who, after the economic crisis of the mid-1960s, were concerned to revive their country's economy). At the same time, foreign mining investments provided lucrative rent-seeking opportunities for politico-bureaucratic elements and well-connected private business groups, both through the issuance of mining licences and the need for foreign mining firms to have domestic joint venture partners. State mining firms such as PT Aneka Tambang and PT Tambang Timah and well-connected private entrepreneurs such as Yani Haryanto and Jusuf Merukh⁸ were able to secure stakes in lucrative mining projects such as PT Freeport in Irian Jaya, PT Kelian Equatorial Mining in Kalimantan, and PT Gag Nickel, also in Irian Jaya.⁹ Foreign mining firms were also much better organised than peasant and indigenous groups, having an active industry association (the Indonesian Mining Association) which, according to one source, enabled the mining industry to exert 'considerable influence on public policy and practices' (Ballard 2001: 44).

So, as with land policy, the Indonesian government's policies in relation to mining in protected forests on the eve of Suharto's downfall largely reflected the interests of foreign investors, domestic business conglomerates, and the politico-bureaucrats who ran state-owned enterprises. Notwithstanding the environmental and social effects of mining projects, the government actively facilitated mining investments, particularly in eastern Indonesia. With the politico-bureaucrats and domestic and foreign investors having much greater resources and organisational capacity, peasants and indigenous communities had little hope of persuading the government to impose restrictions on open mining in protected areas.

3 The politics of policy-making in Indonesia since the fall of Suharto

The fall of Suharto in May 1998 and the process of democratisation that it precipitated have increased the scope for poor and disadvantaged groups and their NGO allies to participate in and influence the policy-making process. First, these developments have created an opportunity for poor and disadvantaged groups to establish new representative organisations outside the corporatist structures associated with the New Order and through these organisations engage in collective action aimed at securing policy change in their favour. For instance, there was a massive explosion in the number of trade unions representing workers following the fall of Suharto. Whereas the All Indonesia Workers Union (FSPSI) was the only officially recognised trade union under the New Order, by 2002, there were 62 national trade union federations officially registered with the Department of Manpower.¹⁰ As we will see below, there was also dramatic growth in the number of organisations representing peasant and indigenous communities as well

⁸ See George Aditjondro (2002: xvi–xx) for details on the background of these two entrepreneurs.

⁹ See Aditjondro (2002: xvi–xx); Robison (1986: 217), and the information on PT Aneka Tambang's website: www.antam.com/Development/JV.

¹⁰ Nineteen of these were sectoral trade unions that had remained part of the FSPSI and six were affiliated with FSPSI Reformasi, a set of trade unions that broke away from FSPSI after the fall of Suharto. But the remaining 37 represented new trade unions in the sense that they were completely independent of FSPSI. Figures obtained from the Department of Manpower, May 2003.

as the establishment of new women's organisations. Relatively unconstrained by restrictions on the freedom of expression and organisation,¹¹ these organisations have been extremely active in holding demonstrations, lobbying government officials and political representatives, participating in public policy debates, and engaging in other forms of collective action aimed at promoting policy change that favours particular poor and disadvantaged groups (Lucas and Warren 2003; Antlov 2003; Sen 1999; Blackburn 2001; Porter 2001).

Second, the fall of Suharto and the democratisation of Indonesia's political system have created an electoral incentive for political representatives to pursue policies that favour the poor and disadvantaged including peasant and indigenous groups. Deepening poverty in the wake of the economic crisis and the widespread perception that Chinese-owned conglomerates created the crisis fuelled calls by radical populists for wealth to be redistributed to indigenous Indonesians. Leading the charge in this respect was the former Secretary General of the Moslem Intellectuals' Association (ICMI) and Minister for Cooperatives between May 1998 and October 1999, Adi Sasono, who called for the creation of a "people's economy" and an increased role in the economy for cooperatives. Other political figures were also to appeal to populist sentiment including the Islamic cleric, Abdurrahman Wahid, who became President in October 1999, and members of his 2000 cabinet. The calls of these individuals clearly struck a chord with certain sections of the Indonesian population including owners of small and medium sized enterprises, members of the cooperative movement, peasants, and some Islamic and middle class elements (Robison and Rosser 1999: 189–90; Basri and Hill 2000; Rosser 2002: 196). With the success of political parties and their leaders now dependent to a large extent on their popularity with voters, there has thus been a strong incentive for them to promote populist causes that appeal to these groups.

At the same time, however, the extent to which poor and disadvantaged groups and their NGO allies have been able to participate in and influence policy-making since the fall of Suharto has been constrained by three factors. First, the government has remained subject to powerful structural constraints. On the one hand, it has been under great pressure to adopt policies advocated by the IFIs – and, particularly, the IMF – in order to secure much-needed aid. These organisations have, on a number of occasions, shown a willingness to use their structural leverage, by withholding or delaying aid funds, in order to force the Indonesian government into particular policy actions. On the other hand, the government has been subject to structural pressure from mobile capital controllers. With the economy struggling to recover from the 1997–1998 economic crisis, the government has ill been able to afford further potentially destabilising capital flight. In so far as there has been conflict between pro-poor policies and the policy recommendations of the IMF and/or interests of mobile capital controllers, the government has faced serious constraints on its ability to adopt pro-poor policy change.

¹¹ We say "relatively unconstrained" because the government has continued to maintain some restrictions on these freedoms. For instance, the Department of Manpower has continued to have a role in deciding which unions can register with it, resulting in some cases in the rejection of applications for registration and the dismissal of the worker-activists seeking the registration. On this, see Michele Ford (2000: 5).

Second, the politico-bureaucrats have remained a powerful force in Indonesian politics in the post-Suharto era. Notwithstanding the general shift in power away from the bureaucracy to the parliament as a result of democratisation, the bureaucracy continues to play a major role in formulating (as well as implementing) government policy. Although the parliament now exercises an effective veto over government policy, it lacks the administrative, research and technical capacity to take full advantage of its authority to draft and initiate legislation. The bureaucracy, which is much stronger in terms of its administrative, research and technical capacity, continues to play the key role in this respect.¹² It also continues to formulate the various regulations, decrees, and other official policy decisions that allow enacted laws to be implemented. Although parliament is formally able to override these, its limited capacity means that it can only do so infrequently. In addition, politico-bureaucrats are reportedly able to influence parliamentary decisions through bribery and corruption. This is particularly the case in relation to the various commissions within parliament in which much parliamentary debate over policy issues occurs and recommendations for parliamentary action are initially brokered. It is widely believed that decisions in these commissions are regularly bought, especially those with a close relationship to “wet”¹³ ministries and agencies including the Ministry of Finance, the Ministry of Forestry, and the Ministry for Mines and Energy (Indonesia Corruption Watch 2002: 24; Sherlock 2003).

Finally, notwithstanding the fact that the poor and disadvantaged have had greater freedom to organise and engage in collective action since the fall of Suharto, their organisational capacity has remained constrained. Despite the emergence of a wide array of new organisations representing poor and disadvantaged groups, the corporatist organisations established by the New Order remain, in many cases, the major vehicles for the representation of these interests. This is the case, for instance, in relation to labour where the former state trade union, FSPSI, remains the largest and best-resourced trade union,¹⁴ and the peasantry where the former state peasants union, HKTI, remains the largest and best-funded peasant organisation.¹⁵ Since the fall of Suharto, there has been a massive increase in donor funding of civil society organisations in Indonesia. While this has enabled some organisations representing poor and disadvantaged groups to expand and strengthen their organisational structures and increase their lobbying activities, many other organisations representing these groups have continued to lack the financial resources and organisational capabilities needed to take full advantage of emerging opportunities to influence policy-making.

¹² According to Stephen Sherlock (2003: 19, 37), of the 23 bills that were passed by parliament during 2001–2002, only one was a DPR Initiative Bill. All the others were conceived and drafted by the bureaucracy. There is some evidence that parliamentarians, often with the assistance of universities and civil society organisations, are beginning to draft and initiate legislation themselves. But they have done so infrequently. Sherlock’s analysis was confirmed for us by Jakob Tobing, a senior PDI-P representative in the national parliament and a former member of Golkar under the New Order. Interview, Jakarta, February 2003.

¹³ “Wet” ministries are those which control large amounts of financial resources and hence provide good opportunities for rent-seeking and corruption on the part of state officials and their business clients.

¹⁴ Interview with Cosmas Batubara, a former Minister of Manpower under the New Order, Jakarta, February 2003.

¹⁵ Interview with Siswono Judohusodo, the head of HKTI, Jakarta, February 2003.

The result of this situation has been a distinct but limited and uneven process of pro-poor policy change. For instance, as we will see below, the Indonesian government's policies in relation to land reform, the PKK, and mining in protected forests, have all moved in a more pro-poor direction since the fall of Suharto. At the same time, however, the extent of pro-poor change in the mining in protected forests case has been much greater than in the land reform and PKK cases, reflecting differences in the underlying politics of the three cases. In the mining in protected forests case, the interests of poor and disadvantaged groups have coincided with those of powerful politico-bureaucratic elements – in particular, the politico-bureaucrats at the Ministry of Forestry – significantly strengthening their position. In the land reform and PKK cases, by contrast, the interests of poor and disadvantaged groups and more powerful elements have remained distinct and opposed. While this has not made pro-poor policy change impossible, it has meant that the gains that the poor and disadvantaged have been able to make have been much more limited than in the mining in protected forests case.

3.1 Case I: land reform

The fall of Suharto and the democratisation of Indonesia's political system precipitated widespread self-organisation and collective action on the part of peasant and indigenous communities in Indonesia in relation to land. Within weeks of Suharto's fall, a large number of peasant and indigenous groups had repossessed land that had, in their view, been stolen from them by foreign investors, conglomerates, and state-owned enterprises under the New Order, including – symbolically – parts of Suharto's private cattle ranch outside Bogor (Down to Earth 1998a; 1998b). In part, these actions reflected economic desperation: the food crisis caused by the economic downturn and the severe drought generated by the El Nino effect, meant that many peasant farmers required extra land in order to grow enough crops to feed themselves and their families (Down to Earth 1998c). But they also reflected an attempt on the part of these groups to settle long-standing land disputes. So widespread were these repossessions that some observers went so far as to suggest that Indonesia was 'on the brink of a social revolution' (Abdurrahman Wahid as quoted in Tesoro 1998).¹⁶ While such comments seem to have been more hyperbole intended to discredit those associated with the previous and current governments than dispassionate analysis, they nevertheless demonstrated the effectiveness of these repossessions in generating concern in elite circles.

In addition, the fall of Suharto and the democratisation process also opened up opportunities for peasant and indigenous groups to establish new representative organisations outside of the corporatist organisations created by the New Order. A variety of new regional peasant organisations were established to represent farmers in local land disputes within a few weeks of Suharto's fall. In July 1998, many of these formed a national umbrella organisation, the Federation of Indonesian Peasant Unions (FSPI) (Down to Earth 1998d), to pursue their collective interests at the national level. In early 1999, following the first ever Congress of Indigenous Peoples of the Archipelago, the Indigenous People's Alliance (AMAN) was

¹⁶ Similar comments were made by the well-known writer, Pramoedya Ananta Toer, to *Time* magazine in 2001 (Lucas and Warren 2003: 87).

established to represent the interests of indigenous communities (Down to Earth 1999). In April 2001, another important peasants' organisation, the Indonesian Peasants Alliance (API), was formed by a breakaway group from the FSPI after allegations were made that the latter had received World Bank funding (Lucas and Warren 2003: 111). These organisations were to become extremely active in organising demonstrations in relation to land issues, in doing so, reinforcing concern within the elite about the prospects for instability.

At the same time, the KPA was to initiate a lobbying campaign aimed at persuading the MPR to enact a new decree (known as a TAP MPR) calling for agrarian reform. During 1999 in the lead-up to national elections later that year, the KPA established a dialogue with six major parties in an attempt to persuade them of the need for an MPR decree on agrarian reform. The National Mandate Party (PAN), a modernist Islamic Party headed by the intellectual Amien Rais, voiced support for this agenda, apparently seeing it as a way of attracting votes in the parliamentary elections scheduled for mid-1999. In May 1999, Rais even held a public meeting with hundreds of peasants involved in the dispute at Suharto's cattle ranch near Bogor (*Kompas* 1999). But few other parties expressed much interest, however, and the KPA consequently failed to persuade the MPR to put agrarian reform high enough on the agenda for its 1999 session to ensure that it would be discussed. In 2000, it failed again to generate much support within the parties, with the MPR this time deciding not to put agrarian reform on its agenda at all.¹⁷ According to one activist involved in this process, the lack of interest on the part of the MPR in agrarian reform at this time was because agrarian issues were simply not on its members' radar screens.¹⁸ More likely, however, they were swayed by pressure from the politico-bureaucrats within the mining and forestry ministries and domestic and foreign businesses involved in mining and forestry, all of which had much to lose from the re-introduction of land reform. At the very least, they would have been cognisant of the structural constraints under which they were operating – in particular, the possibility that reintroducing land reform may deter investment in the mining and forestry sectors, a serious problem at a time of economic crisis.

In 2001, the KPA changed its strategy for securing an MPR decree on agrarian reform by joining forces with the Agrarian Reform Study Group (KSPA), a small group consisting mainly of academics and NGO activists, to try to “socialise” the issue of land reform among MPR members. Together, these organisations held consultations with MPR members and organised public seminars on agrarian reform issues. In May 2001, the KSPA presented a discussion paper by the KSPA to members of the MPR's Ad Hoc Committee II, the MPR committee responsible for drafting MPR decrees. Within a context of continuing land seizures and demonstrations by peasant and indigenous groups and apparent concern within the elite about the instability these were causing, these initiatives were sufficient to persuade this committee to establish two working groups, one on agrarian matters and the other on natural resource issues, to prepare two separate draft decrees that it could present to the MPR later that year. At this point, the KPA and KSPA recruited representatives of NGOs working on environmental and natural resource

¹⁷ Interview with Dianto Bachriadi, Jakarta, April 2003.

¹⁸ Interview with Endang Suhendar, a long-time observer of land issues in Indonesia, a member of the Agrarian Reform Study Group (KSPA), and currently an adviser to Bappenas on land policy, Jakarta, April 2003.

issues to formulate a joint position in relation to the proposed decrees. The two groups of NGOs were able to agree that they should try to persuade the MPR to adopt a single decree that covered both agrarian and natural resource issues rather than the two separate ones being proposed.¹⁹ Together, they formed a TAP Advocacy Team to become involved in public hearings on agrarian reform and assist the Ad Hoc Committee II in preparing drafts of the decree (Lucas and Warren 2003: 106–9). In late August 2001, the two groups of NGOs organised a workshop in Bandung that brought together MPR representatives with peasant groups, academics, NGO activists, and regional political representatives to discuss the direction of government policy on agrarian and natural resource issues (Bachriadi 2001: xviii).

The outcome of these protests and lobbying activities was the passage in November 2001 of a new MPR decree on agrarian reform and natural resources management which included a provision calling on the government to ‘implement a reordering of the control, ownership, use, and exploitation of land (land reform)’.²⁰ This decree was regarded as a significant victory by the peasant and indigenous groups and NGOs that had supported it (Bachriadi 2002). But it was clearly only a minor victory. Although the MPR was persuaded to adopt a single decree, the final decree contained separate sections on agrarian reform and natural resource management, something upon which figures on the Ad Hoc Committee II known to be close to the mining industry had apparently insisted (Lucas and Warren 2003: 110). In addition, the passage of the MPR decree did not change conditions for peasants on the ground. In the absence of accompanying legislation (*undang-undang*) and implementing regulations, the decree cannot be implemented. The National Development Planning Agency (Bappenas) has been instructed to produce a national land policy framework which will address how these legal and regulatory changes might be made.²¹ But it has not finished this framework yet and powerful elements within the government have reportedly been trying to frustrate their work. These elements include the politico-bureaucrats at the Ministry of Forestry who appear to be concerned that further legal change in this area could result in the removal of forest lands from the control of the Ministry of Forestry and hence a massive reduction in rent-seeking opportunities for Ministry officials (Colchester *et al.* 2003: 101). In late 2002, a number of NGOs organised demonstrations to put pressure on the government to move forward with implementation of the decree (*Suara Pembaruan* 2002; Down to Earth 2002a). But, so far, this has been to little avail.

In terms of the broader argument of this paper, this case illustrates clearly that the fall of Suharto and democratisation have opened up opportunities for groups previously excluded from the policy-making process – in this case peasants, members of indigenous communities, and NGOs working on agrarian

¹⁹ The concern of the KPA and others who argued for a single MPR decree was that having two separate decrees, one on agrarian reform and one on natural resource management, would continue the problem of “sectoralism” that characterised the New Order’s policies in these areas. With separate and dis-articulated laws on forestry, mining, and agrarian issues, they argued, the New Order had created overlapping jurisdictions among ministries and reduced the terrain of land reform to non-forest areas – forest areas were deemed to be covered by the Forestry Law and hence were not subject to the Basic Agrarian Law’s land reform provisions.

²⁰ MPR Decree No. 9/2001, Article 5, paragraph 1(b).

²¹ Interview with Endang Suhendar.

issues – to influence policy outcomes in their favour. At the same time, however, it suggests that this influence remains limited compared to that of powerful politico-bureaucratic and corporate elements. Faced with strong opposition from these elements, peasant and indigenous groups and their NGO allies were only able to achieve a minor policy victory.

3.2 Case II: Family Welfare Guidance

The fall of Suharto and democratisation also precipitated greater self-organisation and collective action on the part of women activists in Indonesia. Women's groups were active in many of the demonstrations in the first part of 1998 that contributed to Suharto's downfall, with newly formed groups such as Voices of Caring Mothers (SIP) 'working explicitly to claim space for women and devise activities different from those organised by the student movement male leadership' (Porter 2001: 62–3). In May 1998, shortly before Suharto stepped down, women's activists formed the Indonesian Women's Coalition for Justice and Democracy (KPIUKD), an umbrella organisation for women activists who supported the reform movement. A declaration issued by the organisation on 20 May called for a range of changes in Indonesian politics including Suharto's resignation, the holding of free and fair elections, and an end to all violence against women (Sen 1999; Porter 2001: 66). In December 1998, it organised the first All Indonesia Women's Congress for 70 years in Yogyakarta. As Marilyn Porter (2001) has argued, the emergence of evidence that ethnic Chinese women had faced widespread gang rapes during riots between 14 and 17 May gave particular impetus to women's groups by providing an issue on which they could agree a common position and present a united front. In July, 22 prominent women's activists representing a variety of different women's organisations met President Habibie to try to persuade him to officially and publicly condemn the riots and rapes, a move that reportedly proved successful after several hours of discussion (Porter 2001: 70–1).

While the activities of these organisations since Suharto's fall have centred largely on issues such as rape, violence against women, and women's representation in parliament (Kalibonso 1999; Porter 2001), women's activists have also given attention to the role and activities of the PKK and Dharma Wanita in representing women and providing social and welfare programmes. As Kathryn Robinson and Sharon Bessell (2002: 3) have noted, many women activists have viewed these organisations as 'key players in the exercise of state hegemony' and have called for them to be disbanded. At the same time, rival women's organisations, particularly those aligned with the major Islamic organisations, Nahdatul Ulama (NU) and Muhammadiyah, have tried to muscle in on the PKK's turf. In 2001, the wife of President Abdurrahman Wahid, who had been the head of NU before becoming president, declared that the PKK would perish now that the New Order had fallen and expressed hope that its role would be assumed by two NU-aligned women's organisations, Muslimat and Fatayat (*Suara Merdeka* 2001). While this has not generally occurred, it is clear that the PKK and Dharma Wanita have both suffered a widespread fall in public support. This has been most clearly reflected in the PKK's declining ability to mobilise village women to

participate in the integrated health clinics (Stalker 2000: 8). Between 1997 and 2000, the number of functioning integrated health clinics dropped dramatically, by around 70 per cent according to official estimates (*Jakarta Post* 2000).

These criticisms and the fall in the PKK's public support made the PKK vulnerable. With democratisation increasing the incentive for post-Suharto governments to pursue populist measures aimed at improving their popularity and legitimacy in the eyes of voters, the PKK has faced possible abolition. Its response has been to reform the way in which it operates, both generally and in relation to the management of integrated health clinics specifically. The relationship between the PKK's central management committee in Jakarta (*Tim Penggerak PKK Pusat*) and regional management committees (*Tim Penggerak PKK Daerah*) has now supposedly become consultative and based on coordination by Jakarta rather than command. In an attempt to sever the link between PKK and Golkar, members of these committees have been banned from representing other organisations, groups, political parties, institutions, or sectors. The system for appointing local PKK chairpersons has also changed: local communities are no longer required to accept the wife of the village head as their PKK chairperson and can select the chairperson themselves. And NGOs, international organisations, and private business groups are now being encouraged to become involved in PKK activities, and particularly the integrated health clinics, as "working partners" (*mitra kerja*). Finally, the organisation has changed its name from Family Welfare Guidance to Family Welfare Empowerment Movement to signal a change in orientation.²²

Women's activists have failed, however, to secure more radical change and, in particular, the PKK's abolition. As the number of functioning integrated health clinics began to drop, a coalition of politico-bureaucratic elements and foreign donors moved to rescue both them and the PKK. On the politico-bureaucratic side, the main members of this coalition were the Ministry of Health, which was concerned about the impact of the clinics' collapse on Indonesia's health situation and child nutrition levels in particular; the National Family Planning Coordinating Board (BKKBN), which was worried that their collapse would seriously hamper the family planning programme; and the Ministry of Home Affairs, which was concerned that their collapse could spell the end for the PKK. On the donor side, UNICEF took the lead, introducing in 1998 a Complementary Food Initiative aimed at revitalising the clinics and improving child nutrition levels by using the clinics as a distribution point for nutritious food supplements and making their educational activities more effective (Unicef nd: 2). The Asian Development Bank, however, provided the bulk of the funding, agreeing to fund a revitalisation project, separately initially, but then as part of the broader range of health sector activities included in the social safety net programme.²³

²² Information given to the authors by PKK officials in Jakarta.

²³ The purpose of this project was to revitalise integrated health clinics by providing funding to train clinic volunteers, purchase equipment and uniforms, and to cover operational costs such as transport. As the Central Independent Monitoring Unit has noted, although the project was meant to revitalise inactive clinics, the funds were channelled to both active and inactive clinics in order to avoid jealousy and because many active also clinics required additional funding. See Central Independent Monitoring Unit (2002: 29).

Once donor funding had been secured, the various government ministries and agencies with an interest in integrated health clinics formed an inter-ministerial committee to manage the revitalisation project and seek parliamentary approval for it.²⁴

Like the land reform case, this case illustrates that the fall of Suharto and democratisation have opened up opportunities for groups previously excluded from the policy-making process – in this case, women activists – to influence policy outcomes in their favour. Also like the land reform case, however, it suggests that these groups have only been able to exercise modest influence over policy-making. With powerful politico-bureaucratic elements and certain foreign donors opposed to abolition of the PKK – or at least to one of its key programmes, the integrated health clinic – women's activists were only able to achieve reform of the PKK rather than its abolition.

3.3 Case III: mining in protected forests

As noted earlier, the transition to a more democratic political system has created an incentive for Indonesia's political leaders to pursue policies that favour poor and disadvantaged groups or at least that appeal to them. This incentive was particularly strong in the year or so immediately following Suharto's downfall when B.J. Habibie was President. The Habibie government was widely seen as a continuation of the Suharto regime because Habibie had been Suharto's Vice-President, many other senior figures in his government had held senior positions under the New Order, and the political institutions created by the New Order remained in place. For this reason and because Habibie had been appointed President rather than elected, his government was also widely seen as illegitimate. As the process of political reform unfolded and, in particular, as parliamentary and presidential elections scheduled for mid and late 1999 respectively drew closer, Habibie became desperate to demonstrate that he was a reformer and that his government was committed to helping the poor and disadvantaged, not just corrupt officials and big business. Given the apparent depth of feeling among peasant and indigenous communities and sections of the middle class about the environmental and social effects of open mining in protected forests, this activity became a candidate for reform.

At the same time, the politico-bureaucrats at the Ministry of Forestry had reasons of their own for wanting to ban open mining in protected forests. As the Center for International Environment Law *et al.* (2002) have noted, the various ministries responsible for natural resource management, including the Ministries of Forestry and Mines and Energy, have had to compete for jurisdiction over particular tracts of land or sea because of the sectoral nature of Indonesia's natural resource legislation and the fact that each of these ministries has been responsible for administering a particular natural resources law. More specifically, these things have meant that there have been serious conflicts between the Ministry of Forestry and the Ministry of Mines and Energy over the use of forested areas containing mineral deposits,

²⁴ Interview with Azrul Azwar, Department of Health, Jakarta, February 2003.

with the former having an interest in preserving these areas for forestry purposes and the latter having an interest in them being used for mining purposes. A ban on open mining in protected forests thus promised the Ministry of Forestry more complete control over Indonesia's forests.

With the Habibie government desperately trying to demonstrate its reformist credentials and the 1999 elections looming rapidly, the politico-bureaucrats at the Ministry of Forestry hurriedly prepared a new draft Forestry Law that included a provision banning open mining in protected forests. Under enormous time pressures, the Ministry produced this draft without holding a proper public consultation process.²⁵ When the draft law reached the national parliament, the parliament passed it without major changes, reflecting the government's apparent desire to have the law passed prior to the presidential election in October (*Jakarta Post* 1999). The lack of public consultation and the draft law's hurried passage through parliament meant that there was little opportunity for organisations with an interest in the ban on open mining in protected forests such as peasant and indigenous groups, their NGO allies, foreign and domestic mining firms, and the Ministry of Mines and Energy to participate directly in the formulation of the new law.²⁶ For the mining firms and the politico-bureaucrats at the Ministry of Mines and Energy, the two groups that stood to lose the most from the ban on open mining in protected forests, this lack of participation was to have serious consequences.

The introduction of the 1999 Forestry Law was met with disbelief and anger by mining firms. By banning mining in protected forests, the government had made it virtually impossible for a large number of mining firms to continue their Indonesian operations. Many firms were forced to close down their existing mines. Some withheld new investments and a few even decided to leave Indonesia altogether. Between 1999 and 2001, mining investment in Indonesia plummeted from \$US 2.167 billion to \$US 203 million (see Table 3.1). At a time when the Indonesian economy was becoming increasingly reliant on the resource sector to generate foreign exchange, employment, and economic growth, this fall in investment placed considerable structural pressure on the government to reverse its ban on open mining in protected forests. At the same time, foreign mining firms, backed by the Australian, Canadian, British and US governments²⁷ and the Indonesian Mining Association began intensive lobbying efforts over the issue. They argued that because the mining Contracts of Work (CoWs) that they had signed with the Indonesian government predated the 1999 Forestry Law, the ban should not apply to existing mining operations (Wahyu 2002: 19). But by early 2002, they had achieved very little. In early 2002, a group of around 20 mining companies attempted to force the Indonesian government into taking action by announcing that they would seek international arbitration in relation to the issue, placing further pressure on the government (Down to Earth 2002b).

²⁵ Interview with Longgena Ginting, M. Ridha Saleh, and Nur Hidayati from Walhi, Jakarta, April 2003. See also B.N. Wahyu (2002: 18).

²⁶ *ibid.*

²⁷ Interview with a senior Australian embassy official, Jakarta, April 2003.

Table 3.1 Mining Investment in Indonesia, 1998–2001 (\$US millions)

	1998	1999	2000	2001
Exploration expenditure	96.2	77.9	67.3	74.6
Investment in development and fixed assets	2071.7	1330.2	847.8	228.5
Total Investment	2167.9	1408.1	915.1	303.1

Source: PricewaterhouseCoopers, *Indonesian Mining Industry Survey 2002*, Jakarta: PricewaterhouseCoopers, p10.

In attempting to persuade the government to reverse the ban, foreign mining firms were to gain support from several sections of the Indonesian bureaucracy. The Ministry of Mines and Energy argued that the ban on open mining in protected forests would have a negative impact on mining exploration and exploitation and that it was in conflict with the CoWs negotiated with these firms. The Coordinating Ministry for the Economy and the Ministry for the Development of Eastern Indonesia expressed concern about the impact of the ban and the threat of international arbitration on investment in the mining industry and the broader ramifications of this for the economy as a whole.²⁸ The Environment Ministry initially supported the ban but, following the mining firms' threat of international arbitration, was persuaded to change its position. In June 2002, the Environment Minister, Nabel Makarim, reportedly expressed a view that open mining should be allowed in those protected areas where CoWs predated the 1999 Forestry Law. The mining firms also received support from many regional governments, particularly in eastern Indonesia where mining is a very important source of investment (*Pelangi News Service* 2002; *Koran Tempo* 2002; *Bisnis Indonesia* 2002a; *Miningindo News Service* 2001; Down to Earth 2002c).

Despite the strong support for the mining firms' cause from these arms of the government, the Ministry of Forestry's opposition to removing the ban made it difficult for the mining firms to persuade members of the national parliament to change the 1999 Forestry Law, particularly those in Commission III which deals with forestry affairs and which has strong links to the Ministry. Leading figures in Commission III, such as Rusnain Yahya, the deputy chairperson of the commission, and Djafar Sidiq were to voice support for the ban.²⁹ Commission VIII, which handles mining affairs and which has strong links to the Ministry of Mines and Energy, was reportedly in favour of removing the ban, but with Commission III supporting it, the national parliament was effectively deadlocked. A joint sitting of the two commissions in August 2002 was unable to produce a solution to the dispute (*Bisnis Indonesia* 2002b), ensuring for the time being that the ban on open mining in protected forests remained in place.

In late 2002, a compromise was reached between the Ministry of Forestry, on one side, and the Ministry of Mines and Energy, the Environment Ministry, and the Coordinating Ministry for the Economy, on the other side, that appeared to promise a way out of the impasse. As a result of this compromise, the Forestry Ministry agreed to re-examine, in conjunction with the national parliament, the

²⁸ These ministries' opposition to the ban was also made clear at a seminar held at the Dialog Interaktif FORMAT, Jakarta, on 24 April 2003 which two of the authors attended.

²⁹ See, for instance, comments attributed to them in *Bisnis Indonesia* (2002c).

status of forested areas in which 22 mining projects were located.³⁰ This approach promised a way out of the impasse by permitting mining projects to continue in protected areas without overturning the ban on open mining in protected forests, sacrificing the Forestry Ministry's control over forests in which mineral deposits are located, or offending regions where local governments and communities are united in opposition to open mining. In a press statement issued in April 2003,³¹ the Forestry Ministry announced that three mining projects would be given the go-ahead because it was determined that their mines were in fact located in non-protected areas.³² A further three mining firms were subject to a "rescoring" exercise to determine to what extent the status of these areas could be changed. This resulted in all of them being given permission to conduct open mining in part of their previous concession areas (*Miningindo News Service* 2003).³³ One project – a gold mine proposed for the Poboya conservation area near Palu in Central Sulawesi – was rejected outright because it had not received support from the provincial government. No decision was announced in relation to the remaining 15 projects because the Ministry said that it was still evaluating them. It remains to be seen, of course, whether this proposed compromise will satisfy the various elements that have an interest in the issue. Early indications are that it will not. NGOs, traditional communities and peasant groups have criticised the re-examination of the 22 projects for possibly opening the door for many other open mining projects to proceed (Down to Earth 2002c). And mining firms have expressed concern they will not have the legal certainty that they require to justify the multi-billion dollar investments involved in open mining projects unless the law itself is changed.³⁴ Without clear support for the compromise, particularly from those who stand to benefit from it, it is difficult to see it providing a potential solution to the issue.

In terms of the main purpose of this paper, this case provides further evidence that the fall of Suharto and democratisation have opened up opportunities for peasants, indigenous groups, and their NGO allies to exercise greater influence over the policy-making process than they were able to do so under the New Order. To be sure, these groups did not participate directly in formulating the 1999 Forestry Law and, in particular, the provision banning open mining in protected forests. And it is hard to imagine these groups securing a ban on open mining in protected forests had it not been for the fact that more powerful elements, particularly the politico-bureaucrats at the Ministry of Forestry, had an interest in introducing and maintaining this ban. But it is important to remember that this ban was introduced at a time when the government was desperately trying to appeal to these groups in order to bolster its electoral prospects. This allowed them to influence the policy-making process without participating directly in it. At the same time, it is difficult to imagine the politico-bureaucrats at the Ministry of Forestry being able to

³⁰ It was necessary for the national parliament to be involved because of the requirement in the 1999 Forestry Law that all changes in the status of forests be approved by parliament. See Article 19, para. 2.

³¹ The press release is entitled 'Dephut Akan Mengijinkan Beberapa Usaha Pertambangan di Kawasan Hutan' and dated 3 April 2003.

³² The three mining firms coincidentally had already finished operations or were due to do so in the near future.

³³ In the case of the Gag nickel project, this rescoring exercise yielded a change in the status of only 20 per cent of the relevant protected forest, probably insufficient to make the project viable. Interview with Boen Poernama, Director-General, Forest Planning Agency, Ministry of Forestry, Jakarta, April 2003.

³⁴ Interviews with BHP-Billiton staff and a senior Australian embassy official, Jakarta, April 2003.

introduce a ban on open mining in protected forests had peasant and indigenous groups and their NGO allies not put this issue on the agenda in the first place. In short, these groups made it possible for the politico-bureaucrats at the Ministry of Forestry to act as opportunistically as it did.

4 Future prospects

We have argued in this paper that the policy-making process in Indonesia has become a little more inclusive since the fall of Suharto than a number of recent interpretations of Indonesia's political economy have suggested. More specifically, we have argued that the fall of Suharto and democratisation have (i) removed key obstacles to organisation by poor and disadvantaged groups and their NGO allies, making it easier for them to engage in collective action aimed at achieving pro-poor policy change; (ii) created an incentive for politicians to pursue policies that favour these groups or at least that appeal to them by making attainment of political office dependent on the support of the voting public; and (iii) in doing so increased the political space for poor and disadvantaged groups and their NGO allies to participate in and influence the policy-making process. At the same time, however, we have suggested that poor and disadvantaged groups have remained weak compared to the politico-bureaucrats, the major domestic conglomerates, the IFIs, Western governments, and controllers of mobile capital. Whereas the politico-bureaucrats and well-connected business groups have been able to exercise influence over policy by buying support within representative bodies such as parliament and the MPR and mobile capital controllers have been able to exercise influence over policy by withdrawing much-needed investment resources from the country, poor and disadvantaged groups have had to rely on less potent ways of exercising influence such as holding demonstrations, engaging in lobbying activity, and participating in public debates. Only where their interests have coincided with those of more powerful elements, as in the mining in protected forests case, have they been able to achieve significant pro-poor reform. In other cases, such as land reform and the operation and structure of the PKK, they have at best won minor victories.

What are the prospects for inclusive policy-making in Indonesia in the future? The World Bank (2001) and the United Nations Development Programme (UNDP) (1997; 2000) have argued that policy-making in developing countries is most likely to be inclusive when (i) states are democratic and decentralised; and (ii) poor and disadvantaged groups are willing and able to organise themselves. In respect of the first point, these organisations have been careful to qualify their arguments, noting that democratisation and decentralisation have sometimes been captured by elites to the detriment of poor and disadvantaged groups (World Bank 2001: 106). But, in general, they view democratisation and decentralisation as positive developments *vis-à-vis* inclusive policy-making because they believe that these processes make states more responsive to poor and disadvantaged groups. Democratisation, it is argued, opens up institutional channels through which poor and disadvantaged groups can access and contest the policy-making process while decentralisation is said to increase the state's responsiveness to poor and disadvantaged groups by bringing policy-making processes closer to them. In respect of the second point,

these organisations have suggested that ‘self-organisation is the best antidote to powerlessness’ (UNDP 2000: 72) and that improved organisational capacity will therefore “empower” poor and disadvantaged groups. More specifically, they have argued that improved organisational capacity will enable poor and disadvantaged groups to ‘influence local government and hold it accountable . . . form coalitions with other social forces and build broader organisations to influence regional and national policy-making’ (UNDP 2000: 72).

If this analysis is correct, we would expect the prospects for inclusive policy-making in Indonesia to be fairly good because Indonesia has largely met the preconditions for inclusive policy-making identified by the World Bank and the UNDP. Its political system is now essentially democratic (at least in procedural terms); considerable decision-making authority has been devolved to the local level through the introduction of new decentralisation laws; and, although poor and disadvantaged groups and their NGO allies are still relatively weak in terms of their organisational capacity compared to the politico-bureaucrats, the dominant fractions of capital, IFIs and Western governments, they have made significant progress in this respect since the fall of Suharto. With the main preconditions for inclusive policy-making largely in place, this analysis suggests that we can expect the poor and disadvantaged to participate more in and exert more influence over the policy-making process than they have done so far.

However, this paper suggests that democratisation, decentralisation, and improved organisational capacity on the part of poor and disadvantaged groups are not enough to level the playing field. As we have seen from the case studies in this paper, poor and disadvantaged groups in Indonesia have only been able to exert a modest influence over policy-making since the fall of Suharto despite democratisation, decentralisation and the fact that poor and disadvantaged groups and their NGO allies have made progress in terms of improving their organisational capacity. This suggests that there is much more to “empowering” the poor and disadvantaged than simply improving their organisational capacity and changing the nature of political institutions. In particular, it suggests that empowering these groups requires redistribution of material resources. While mobile capital controllers, the IFIs, and Western governments can exert structural power by virtue of their control over scarce investment resources and aid and well-connected business groups can use their financial resources to buy support within representative organisations such as parliament, the poor and disadvantaged have relatively limited resources on which to draw in trying to secure pro-poor policy change. Consequently, they have had to rely on less potent mechanisms for influencing policy such as protests, lobbying, and participating in public debates. Understanding empowerment solely in terms of institutional structures and organisational capacity obscures material sources of power/powerlessness.

Seen from this angle, the prospects for inclusive policy-making in Indonesia seem much less bright. Increasing the material resources at the disposal of the poor and disadvantaged in Indonesia would require a fundamental reordering of the global political economy and Indonesia’s political economy in particular, neither of which appear to be on the cards. In this context, the most that poor and disadvantaged groups in Indonesia are likely to achieve in the future is further piecemeal pro-poor reform along the lines of the

MPR decree on land reform and natural resources management and the reforms to the PKK. They may achieve a few more big wins like the ban on mining in protected forests but this appears only to be likely where more powerful elements have their own reasons for desiring the same policy change.

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